

## MILLS COUNTY STATE BANK

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Real Estate Lending Officer

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September 22, 2009

Jennifer J. Johnson, Secretary  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue, N.W.  
Washington, D.C. 20551

Dear Ms. Johnson:

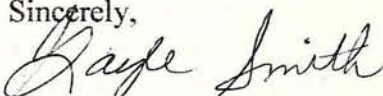
I am a mortgage lender in a small community bank in Central Texas. I have been making home loans to people in my community for approximately 20 years. My bank is a strong community bank and we work closely with our borrowers to ensure that they truly qualify for a loan and that they understand the type of loan they are getting. We rarely make a fixed rate loan, and for years, I have done an amortization showing the customer what their monthly payment could go to during the life of their variable rate loan if the interest rates do go up.

I have very few customers with past due taxes or insurance. Requiring an escrow is not necessary in my area. I make calls to insurance agents and the tax appraisal office and figure the cost of taxes and insurance and offer an escrow, however if the customer does not wish to escrow, I make sure they understand that taxes and insurance must be paid on time or they may be considered in default on the loan. My staff will be burdened greatly if we must escrow on most every home loan we do.

I've set forth these details to help you understand that we community banks are not making predatory loans. We do not make high-priced loans. The loans we make are fair to our borrowers and allow the bank to continue to serve the needs of our community.

I believe Independent Bankers Association of Texas put it correctly when they stated; "As adopted, the changes to Reg Z will likely cause community banks to substantially scale back or, in some instances, completely shut down their residential mortgage lending operations. That is a shame considering that this will force many residential mortgage borrowers into the hands of the very predators whose actions compelled the changes."

Sincerely,



Gayle Smith  
Vice President  
Real Estate Lending Officer  
Mills County State Bank